

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-14 NSC-05 AID-05  
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XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 /095 W  
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R 080945Z JUL 78

FM AMEMBASSY ABIDJAN

TO DEPT OF TREASURY WASHDC

INFO SECSTATE WASHDC 9536

UNCLAS SECTION 1 OF 2 ABIDJAN 6454

E.O. 11652: N/A

TAGS: AFDF, EAID, EFIN

SUBJ: AFRICAN DEVELOPMENT FUND 1978 LENDING  
PROGRAM AND STATUS OF RESOURCES

REF: ABIDJAN 6371

SUMMARY: AFRICAN DEVELOPMENT FUND BOARD OF DIRECTORS  
REVIEWED AFDF 1978 LENDING PROGRAM AND STATUS OF  
RESOURCES AT JUNE 29, 1978 MEETING. IT IS APPARENT  
THAT SUFFICIENT RESOURCES WILL NOT BECOME AVAILABLE  
TO FINANCE 1978 LENDING TARGET OF FUA 150 MILLION.  
ACTUAL 1978 COMMITMENT AUTHORITY CURRENTLY TOTALS  
APPROXIMATELY FUA 89 MILLION, WITH BOARD HAVING APPROVED  
LOANS ALREADY TOTALING FUA 70 MILLION. BOARD AGREED TO  
APPROVE LOANS UP TO FIGURE OF FUA 116.5 MILLION, SUBJECT  
TO AVAILABILITY OF RESOURCES AS NECESSARY. THIS FIGURE  
REPRESENTS WHAT BOARD CONSIDERS TO BE "REASONABLE  
EXPECTATION" OF TOTAL RESOURCES WHICH MAY BE AVAILABLE  
FOR COMMITMENT IN 1978. BOARD AGREED TO RECONSIDER  
LENDING PROGRAM WHEN FUA 116.5 MILLION FIGURE IS  
REACHED (PROBABLY IN SEPTEMBER). END SUMMARY.

1. AT JUNE 29 MEETING, AFRICAN DEVELOPMENT FUND  
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BOARD OF DIRECTORS REVIEWED 1978 LENDING PROGRAM AND  
STATUS OF RESOURCES AVAILABLE FOR COMMITMENT IN 1978.  
AS OF 31 DECEMBER 1977, AFDF HAD COMMITTED FUA 325.14  
MILLION OF FUA 398.92 MILLION IN TOTAL RESOURCES  
PLEDGED. THEREFORE, AS OF 1 JANUARY 1978, AVAILABLE  
COMMITMENT AUTHORITY TOTALED FUA 73.78 MILLION (AGAINST  
PROPOSED 1978 LENDING PROGRAM OF FUA 150 MILLION).

DURING 1978, AFDF OBTAINED FOLLOWING ADDITIONAL CONTRIBUTIONS WHICH MAY BE APPLIED TO THE 1978 LENDING PROGRAM: ARGENTINA, FUA 2 MILLION; KUWAIT, FUA 4.6 MILLION; AND SAUDIA ARABIA, FUA 9.0 MILLION. SHOULD AN INITIAIAL UAE CONTRIBUTION OF FUA 4.5 MILLION AND THE PROPOSED ADDITIONAL U.S. CONTRIBUTION OF FUA 22.5 MILLION MATERIALIZE, RESOURCES AVAILABLE FOR COMMITMENT IN 1978 WOULD TOTAL APPROXIMATELY FUA 116.5 MILLION. BEYOND THIS FIGURE, THERE IS SOME POSSIBILITY THAT UAE MAY PROVIDE AN ADDITIONAL FUA 4.5 MILLION AND THAT QATAR MAY JOIN WITH AN INITIAL SUBSCRIPTION OF FUA 5.4 MILLION. MANAGEMENT HAS ALSO INDICATED THAT IT PLANS TO ASK THE BOARD TO ALLOCATE A PORTION OF AFDF'S ACCUMULATED INCOME TO THE 1978 LENDING PROGRAM. ACCUMULATED INCOME IS EXPECTED TO TOTAL FUA 19.5 MILLION BY DECEMBER 1978. IT IS THEREFORE POSSIBLE (ALTHOUGH UNLIKELY) THAT RESOURCES AVAILABLE FOR COMMITMENT IN 1978 COULD TOTAL FUA 136 TO PERHAPS FUA 138 MILLION.

2. AS OF JUNE 29, 1978, BOARD HAD APPROVED 1978 LOANS TOTALING FUA 70.57 MILLION. REMAINING COMMITMENT AUTHORITY IS THEREFORE FUA 18.7 MILLION. MANAGEMENT PROPOSED THAT AFTER REMAINING COMMITMENT AUTHORITY IS EXHAUSTED, BOARD CONTINUE APPROVING LOANS, SUBJECT TO AVAILABILITY OF RESOURCES, UP TO A 1978 TOTAL LENDING VOLUME OF FUA 150 MILLION.  
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BOARD REJECTED THIS PROPOSAL FOR TIME BEING, AND INSTEAD DECIDED TO CONTINUE APPROVING PROJECTS UNTIL A CEILING OF FUA 116.5 MILLION IS REACHED. BOARD FEELS THAT THERE IS BASIS FOR A "REASONABLE HOPE" THAT A TOTAL OF FUA 116.5 MILLION WILL BECOME AVAILABLE FOR COMMITMENT DURING 1978.

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3. DURING COURSE OF DISCUSSION, USAED EMPHASIZED THAT WHILE HE UNDERSTOOD BOARD'S NEED TO PLAN 1978 LENDING PROGRAM BASED ON ESTIMATES OF FUTURE RESOURCES, THE PENDING U.S. CONTRIBUTION DOES NOT REPRESENT A U.S. COMMITMENT BUT IS AT THIS POINT, NOTHING MORE THAN A PENDING INTERNAL USG PROPOSAL. USAED INDICATED THAT NO PORTION OF THE PROPOSED CONTRIBUTION CAN BE ASSURED UNTIL THE U.S. CONGRESS COMPLETES ITS REVIEW OF THE ADMINISTRATION'S APPROPRIATIONS REQUEST.

4. BOARD OF DIRECTORS PLANS TO RECONSIDER THE FUND'S LENDING PROGRAM AND RESOURCE POSITION AS 1978 LOAN COMMITMENTS APPROACH THE FUA 116.5 MILLION CEILING. AT THAT POINT (PERHAPS IN SEPTEMBER) BOARD WILL BE FACED WITH DECISION OF WHETHER OR NOT TO APPROVE ADDITIONALLOANS SUBJECT TO AVAILABILITY OF RESOURCES. BRITISH DIRECTOR HAS ALREADY EXPRESSED WILLINGNESS TO CONTINUE APPROVAL OF LOANS IN ORDER TO MAINTAIN RHYTHM OF INSTITUTION. CANADIAN DIRECTOR HAS MADE PRELIMINARY PROPOSAL WHICH PROVIDES THAT A) LOANS CONDITIONALLY APPROVED BEYOND THE FUA 116.5 MILLION CEILING WOULD BE BROUGHT BACK TO THE BOARD FOR FINAL APPROVAL WHEN FUNDS ACTUALLY DO UNCLASSIFIED

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BECOME AVAILABLE; B) 1978 LOAN APPROVALS, BOTH CONTITIONAL AND UNCONDITIONAL, SHALL NOT EXCEED 150 MILLION TARGET; C) PORTION OF FUA 150 MILLION 1978 PROGRAM WHICH CANNOT BE FINANCED BY FUNDS AVAILABLE IN 1978 WOULD BE FINANCED BY SECOND GENERAL REPLENISHMENT FUNDS, AND BE CHARGEABLE TO THE AFDF 1979 LENDING PROGRAM.

5. COMMENT. USAED CONSIDERS CANADIAN PROPOSAL TO OFFER BEST SOLUTION TO PROBLEM BOARD WILL FACE IN SEPTEMBER. THIS PROPOSAL PRECLUDES THE POSSIBILITY OF AN ABRUPT HALT IN FUND OPERATIONS THEREBY ALLOWING THE INSTITUTION TO PLAN ITS WORKLOAD FOR THE BALANCE OF 1978 IN A RATIONAL RATHER THAN A "STOP-START" MANNER. IN ADDITION, ALTHOUGH

PROPOSAL ALLOWS CONDITIONAL COMMITMENT OF SECOND  
REPLENISHMENT RESOURCES IN 1978, PROJECTS WILL BE  
FINALLY APPROVED IN 1979 AND CHARGED TO 1979  
LENDING PROGRAM. THEREFORE, A PERMANENT DISTORTION  
IS NOT BUILT INTO THE 1979-81 SECOND REPLENISHMENT  
PROGRAM AND ANY INITIAL DISTORTION CAUSED BY FORMAL  
APPROVAL OF ACCUMULATED PROJECTS EARLY IN THE  
REPLENISHMENT PERIOD, CAN BE SMOOTHED OUT OVER  
THE REMAINING YEARS OF THE REPLENISHMENT PROGRAM.  
FINALLY, AN INITIAL DISTORTION MAY BE MINIMAL,  
NOT ONLY BECAUSE ADDITIONAL 1978 FUNDS MAY BECOME  
AVAILABLE, BUT ALSO BECAUSE IT IS NOT AT ALL CERTAIN  
THAT MANAGEMENT WILL BE ABLE TO PRESENT LOANS  
TOTALING FUA 150 MILLION FOR BOARD APPROVAL IN 1978.  
IF CIRCUMSTANCES REMAIN BASICALLY UNCHANGED, USAED  
WOULD LIKE TO SUPPORT CANADIAN PROPOSAL WHEN BOARD  
CONSIDERS THIS ISSUE AGAIN. WOULD APPRECIATE ANY  
VIEWS OR INSTRUCTIONS AS TO DESIRED U.S. POSITION.  
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## Message Attributes

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